

# **“Energizing” the Poverty Reduction Strategy Papers**

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Kyran O’Sullivan

# Energizing the PRSP

## ➡ Engaging

- ➡ WB Country team + Country PRSP team + Partners
- ➡ Household surveys and participatory work

## ➡ Inputs

- ➡ Link energy to country economic and social goals (macro, competitiveness, social services)
- ➡ Both direct and indirect linkages are equally valid
- ➡ Do not presume it is “common sense”
- ➡ Help to integrate energy related “decision points” in I-PRSPs and PRSPs.

# Making the Linkage

## Poverty Outcomes

### OPPORTUNITY

- Growth
- Capability

### EMPOWERMENT

Institutions working  
for the poor

### SECURITY

Economic and  
social protection

## Energy Linkages

- Input for businesses
- Economic competitiveness
- Patterns of growth
- Productivity
- Lighting, cooking
- Healthcare and education
- Water, communication, transport
- Indoor air pollution
- Accountability of service providers
- Improving the lives of women
- Energy price stability
- Fiscal prudence

## Sector Objectives

### 1. Access

- Availability
- Affordability

### 2. Reliability

### 3. Fiscal sustainability

### 4. Governance

### 5. Environmental sustainability

# Why the Five Sector Objectives are Primary

## Utility Objectives

Means to achieve sector objectives

- ➡ **Financial sustainability**
- ➡ **Operational efficiency**
- ➡ **Privatization**
- ➡ **Competition**
- ➡ **End-use efficiency**

## Sector Objectives

- 1 Access**
- 2 Reliability**
- 3 Fiscal sustainability**
- 4 Governance**
- 5 Environmental sustainability**

**Poverty Outcomes**

# Doing the Analysis

- ➡ Select indicators for each sector objective.
  - ➡ indicators are suggested in the energy toolkit.
  - ➡ Customization may be necessary depending on region (e.g. heating affordability in ECA countries)
- ➡ Use existing staff knowledge and ESW to establish baselines.
  - ➡ Rapid assessments will be a good start -- aim for relevance and timeliness, not quantitative perfection
- ➡ Understand the growth drivers and poverty strategies being considered to show how progress on energy sector goals can support the strategy.

# Goal 1 — Access (Availability & Affordability)

## *Indicators*

## *Analysis*

## *Potential linkage to poverty outcomes*

### **Availability**

- Electricity
- Kerosene and LPG

- Coverage negligible in bottom quintiles



### **Growth**

- reduces agricultural productivity
- disincentive for non-farm investment (micro-enterprises, FDI)

### **Affordability**

- First Cost Ratio (% of household income)
- Subsistence consumption (% of household income)

- Multiple times average household income



### **Capability**

- restricts introduction of complementary infrastructure services (water, telecom)
- improves indoor air quality
- health service delivery

### **Empowerment**

- improves women's lives

## Goal 2 — Reliability

### *Indicators*

**Production time lost**

**Alternative (non-utility) supply**

### *Analysis*

• high rate of black-outs =>

• common use of standby gensets =>

• endemic petroleum product shortages =>

### *Potential linkage to poverty outcomes*

#### **Growth**

- disincentive for FDI and private sector investment
- reduces potential for export led growth

#### **Capability**

- Disincentive to adopt modern energy forms

#### **Security**

- price volatility hurts the poor most

## Goal 3 — Fiscal Sustainability

### *Indicators*

#### **Energy subsidies**

- net budget impact
- subsidy efficiency

#### **Public financing burden**

- Public borrowing
- Contingent liabilities

#### **Tax Revenues**

### *Analysis*

- Large expenditure burden
- Inefficient targeting & low coverage

- Fiscal risk high owing to government borrowing/guarantees for energy

- Large revenue potential from royalties

=>

=>

=>

### *Potential linkage to poverty outcomes*

- constrains spending on social programs
- increases macro instability
- constrains service expansion (access)

- Reduces fiscal headroom for social spending

- Macro stability: BOP support
- Contribution to budget for social spending<sub>8</sub>



## Goal 4 — Governance

### *Indicators*

#### **Sector ownership**

- Role of private sector

#### **Market structure**

- Degree of competition

#### **Regulatory quality**

- Tariff reasonableness
- Enforcement of payment discipline
- Prevention of corruption

### *Analysis*

- Inefficient (high cost) state enterprises providing services

=>

- Barriers to entry for new/private sector providers of services

=>

- Tariffs do not cover costs
- high non-technical losses

=>

### *Potential linkage to poverty outcomes*

- lack of accountability of service provider
- high budgetary cost ...
- constrains service expansion (access)

- Disincentive to private investment
- insufficient resources to fund service expansion

## Goal 5 — Environmental Sustainability

### *Indicators*

**Indoor air quality**  
Heating and cooking  
sources

### **Emissions**

Transport sources

Power and CHP  
sources

### *Analysis*

- Women and children disproportionately affected

=>

- Economic costs

=>

### *Potential linkage to poverty outcomes*

- Health

- Income loss

# Findings from a few I-PRSPs & PRSPs — 1

## Poverty Profile Section

**[Typically introduces the PRSP discussion focusing on factors such as income, health, education & basic infrastructure]**

- ➡ Either very summary or no discussion of availability and affordability of electricity and cooking fuels
- ➡ Service disparities are not linked with spatial distribution of poverty (as has been done in the Bolivia PRSP)
- ➡ Africa HNP country briefs have more information on electricity access by quintile
- ➡ Water, unlike energy (biomass) linked to poor health outcomes

## Findings from a few I-PRSPs & PRSPs — 2

### Poverty Reduction Strategy Section

[Discusses main elements of strategies to promote growth and assist the poor]

#### Macroeconomic Stability

- ➡ Little (or no) discussion of energy sector public borrowing & subsidies related to service expansion in countries with low access.
- ➡ Energy import dependency and budget implications missing.
- ➡ Impact of energy export revenues on BOP support absent (even in the case of Chad)

#### Growth strategies (e.g. competitiveness, export led, PSD, labor intensive)

- ➡ Vaguely described as “supporting” growth. Little explicit linkage to patterns of growth (e.g. transport in the Mauritania I-PRSP)
- ➡ Restatement of reform & privatization policies not sufficient.

## Findings from a few I-PRSPs & PRSPs — 3

### **Programs to assist the poor (e.g. access, life-line subsidies)**

- ➡ Good Practice: Costs and benefits of reaching 12% electricity access in Uganda
- ➡ Poor Practice: Priority public expenditures do not recognize access costs while roads and water are noted (e.g. Tanzania)
- ➡ Design of subsidies -- better targeting and coverage. Never mentioned.
- ➡ Privatization of utility is discussed (e.g. Tanzania) but silence on the service provision for the poor
- ➡ Programs or incentives to help the poor move up to cleaner fuels to reduce health costs (e.g. Chad)

# Findings from a few I-PRSPs & PRSPs — 4

## Governance

- ➡ Energy sector missing from discussion of public service accountability

## Policy Matrix (Summary of priority actions and M&E)

- ➡ Inconsistencies between text and matrix of priority actions in drafts. e.g. Mauritania

## Identifying data gaps - role of ESW, prior work, household surveys

- ➡ Energy can benefit from on-going participatory work (e.g. as water did in Uganda)
- ➡ Role of ESW & prior work apparent in I-PRSPs (e.g. Uganda: encouraging entrepreneurs to invest in energy in rural growth areas (from AFFREI work); power shortage reduces investment by firms)
- ➡ Household surveys inform the choices